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Attitudes and Opinions of Texas Agricultural Cooperative Members

ATTITUDES AND OPINIONS OF TEXAS AGRICULTURAL COOPERATIVE MEMBERS

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Currently, members of a typical Texas agricultural cooperative are third generation patrons. Many of today's cooperatives were formed by farmers who are today retiring from agriculture. These cooperatives were formed because of a need for increased competition in farm supplies and markets, for alternative sources of supplies of higher quality, and for new product outlets as well as improved marketing management.

These needs were well recognized by the early cooperative founders. Current members hold different attitudes and have different expectations than the early founders. Patronizing is not automatic and is less likely to be learned out of loyalty. How different are the attitudes and expectations of current cooperative members? What does the present member favor or disfavor?

Questionnaires were mailed to the members of 21 agricultural cooperatives in Texas, or approximately 5 percent of the current cooperative population. The sampled cooperatives were distributed throughout the state according to cooperative population. There was a one-time mailing to 1,656 randomly selected cooperative members of these 21 cooperatives. Of these, 455 questionnaires were returned.

Ninety of the 455 returned questionnaires were not filled out for the reasons stated in Table 1.

Table 1. Reasons Given for not Filling Out Questionnaire, Texas, January, 1984 (90 not filled out).

Reason	Percent
Retirement of Member	38
Death of Member	23
Quit or Never Farmed	21
Not a Cooperative Member	18
Total	100

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This is revealing because it indicates the relatively large number of cooperative members who are no longer active patrons of their cooperative. These respondents ceased being cooperative patrons an average of five years ago. The following indicates the nature of these responses.

"My husband was a co-op member and on the Board until he died in September 1963. I am 78 and not a co-op member."

"Deceased 6/81, please remove from mailing list."

"I inherited 80 acres of land from parents' estate, along with other amenities, including stock in local co-op. I am not active in the cooperative."

"Quit farming in 1975. Sold out."

"I have retired since 1967, am 81 years old and do no more farming."

"I am 85, so have someone who is right in the middle of farming fill it out."

"Not farming, never patronized a cooperative."

The following report is based on responses from 365 members. Most responses were received in December, 1983 and January, 1984.

Description of Cooperative Members

Age

The average age of the responding Texas agricultural cooperative member was 55 years. Thirty-two percent of the respondents were less than 48 years of age, 34 percent were between 48 and 62 years of age, and 34 percent were 63 years of age and over.

Education

The responding Texas agricultural cooperative members ranged in education from fourth grade through Ph.D., with the average member having completed one year of college. A wide range of educational levels exists among these cooperative members. While 20 percent of the members have less than a high school education, 32 percent have at least a college education (Table 2). Not surprisingly, the younger members had higher levels of education, with 51 percent of the members under 48 years old having at least a college education.

Table 2. Relationship of Education to Age of Cooperative Member, Texas, 1984.

Education	Age			All Members
	Under 48	48-62	63 & Over	
	Percent			
Under 12 Years	2	14	43	20
12 Years	20	39	18	25
1-3 Years, College	27	23	18	23
4 Years College, Thru Ph.D.	51	24	21	32
Total	100	100	100	100

Membership

The respondents were members of an average of 2.6 cooperatives. Thirty-one percent of the respondents were members of cooperatives under 15 years, 33 percent from 15 to 29 years, and 36 percent for 30 years or longer. Sixty-eight percent of the members who were under 48 years of age had been cooperative members for 14 years or less—in other words, since about 1970 (Table 3). One-third of the membership had been enrolled in the cooperative since 1970.

Table 3. Relationship of Membership Duration to Age of Member, Texas 1984.

Membership	Age			All Members
	Under 48	48-62	62 & Over	
	-----Percent-----			
1 to 14 Years	68	16	8	31
15 to 29 Years	32	42	27	33
30 Years and Over	0	42	65	36
Total	100	100	100	100

On the average, membership was held for 19 years in a supply cooperative; 18½ years in a grain cooperative; a little over 21 years in a cotton gin; and for 17 years in a Land Bank or PCA. Ninety-one percent of the respondents were active members of a grain cooperative; 83 percent were active members of a supply cooperative; 81 percent were active members of a cotton gin cooperative; and 58 percent were active members of a credit association.

On the average, the respondents did three-quarters of their business with their cooperative. This varied by the type of cooperative, but, on the average, 32 percent of the members did 59 percent or less of their business with their cooperatives, 36 percent of the members did from 60 to 90 percent of their business with cooperatives, and 32 percent did 91 to 100 percent of their business with cooperatives.

Texas cooperative members said that they or their family participated in the following cooperative activities during the last five years, ranked by the frequency of participation.

- 1 Attended annual meeting.
- 2 Voted in the annual meeting.
- 3 Discussed farm-need problems with manager.
- 4 Discussed farm-need problems with director.
- 5 Discussed importance of cooperatives with others.
- 6 Discussed farm-need problems with cooperative employee.
- 7 Persuaded someone else to join the cooperative.
- 8 Attended annual district meeting.
- 9 Served as delegate.
- 10 Attended Board-Managers School.

Type and Size of Farm

The cooperative members who responded to this survey were predominantly cash grain and cotton growers, averaging 1,148 acres per member, of which 825 acres were cropland. Of the 1,148 acres in the farm, 536 acres were owned and 612 acres (53%) rented. Thirty-seven percent of the rented acres were owned by relatives.

In terms of land tenures, 35 percent of the respondents farmed only owned land, 18 percent farmed only rented land, and 47 percent had both owned and rented land. That means that 82 percent of the respondents were owners of part or all of the land farmed, and 65 percent rented all or part of the land farmed. Fifty-five percent of the renters rented all or some part of this land from relatives.

Gross Sales

Thirty-three percent of the respondents had more than \$100,000 in sales and 30 percent had less than \$20,000 in sales (Table 4). About half of the respondents with less than \$20,000 in sales were over 62 years of age, while 85 percent of those with over \$100,000 in sales were less than 62 years of age (Table 5). Nearly 75 percent of the respondents having over \$100,000 in sales had at least one year of college (Table 6).

Table 4. Distribution of Gross Farm Sales for the Respondents, Texas, 1984.

Gross Farm Sales	Percent of Respondents
(Dollars)	
Less than 4,999	10
5,000 to 9,999	7
10,000 to 19,999	13
20,000 to 39,999	17
40,000 to 99,999	20
100,000 to 199,999	17
200,000 to 499,999	12
500,000 or more	4

Table 5. Relationship of Gross Sales to Member's Age, Texas, 1984.

Age	Gross Farm Sales (\$)	
	Under 20,000	100,000 or More
	-----Percent-----	
Less than 48	20	44
48-62	32	41
Over 62	48	15
Total	100	100

Table 6. Relationship of Gross Sales to Member's Education, Texas, 1984.

Education	Gross Farm Sales (\$)	
	Under 20,000	100,000 or More
	-----Percent-----	
Under 12 Years	36	6
12 Years	20	26
1-3 Years, College	20	27
4 Years, College, Thru Ph.D.	24	42
Total	100	100

Gross farm sales were unrelated to the number of years that a member has been a cooperative member.

Cooperative Ownership and Control

Since the early 1970's, the issue of who owns and controls the cooperatives has become increasingly important. Concerns range from the representativeness of the membership on the Board of Directors, to whether a member actually feels that he or she is a cooperative owner.

Board of Directors

Fourteen percent of the respondents said that they currently serve on at least one cooperative's Board of Directors. Of those who serve on the Board of Directors, two-thirds held the office either as president or vice president.

Thirty percent of the respondents said that they had served on the Board of Directors during their lifetime. Larger farmers served on the Board of Directors more frequently than smaller farmers. Only 14 percent of the members with gross sales under \$20,000 served on the Board of Directors during their lifetime. On the other hand, 55 percent of the respondents with gross sales of \$100,000 or more had been a Board member.

Of those who served on the Board, 73 percent held one office, and 27 percent held two or more offices. The most common office held was that of president, followed by vice president, then secretary. Those who served on the Board of Directors did so for an average of nine and a quarter years.

Limited Board Terms

When asked if the number of consecutive years a member can serve on the Board of Directors should be limited, 70 percent said yes. Respondents indicated that the term of consecutive years that a member can serve should be limited to six years. This opinion was uniformly supported regardless of the member's age, education, cooperative experience or size of farm. When asked if there should be a compulsory retirement age for the cooperative Directors, 46 percent said yes and indicated that the average compulsory retirement age should be 65 years.

Representativeness of the Board

A highly favorable 86 percent of the respondents indicated they feel that their Board of Directors adequately represents them and other members in policymaking. Those who felt that they were not adequately represented by their Board of Directors pointed to the lack of member involvement in major cooperative decisions. This was reflected in statements such as, "major issues should require a vote by the stockholders, not left solely to the action of the Board of Directors." Dissatisfied members frequently point to the composition of the Board not being representative of the membership, with comments such as, "representation should be farmers of different sizes of operation"; or "my co-op tends to be run for the benefit of a few large growers who serve on the Board of Directors"; or "it seems like the only directors are large farmers." A young member indicated his dissatisfaction with the composition of the Board by the statement, "younger members that represent new ideas or changes needed are missing." Other members were dissatisfied with what they perceived to be a lack of business judgement on the Board as reflected in the statements, "I feel that too often co-ops are run as 'good old boy' operations rather than as a business"; or "select those with business judgement"; or "a business must be able to compete;" and finally, "if you can't save members' money, you have no business in business."

Advisory Boards and Committees

One way to get increased membership involvement in a cooperative is through the use of advisory boards and committees. An Associate Board of Art Directors is designed to serve as a training ground for new members. The Associate Board is selected by the Board or elected by the membership to attend the regular meetings of the Board of Directors, and enter into the discussion, but not vote. Sixty percent of the Texas cooperative members said that members support the establishment of an Associate Board as a means for training potential new Board members. This opinion was uniformly supported by members of all ages, education, cooperative experience or scale of farming. Those favoring the establishment of the Associate Board said that they should be trained for two years before being eligible for election to the Board.

The use of advisory committees made of a mixture of Board and non-Board members is a growing trend among agricultural cooperatives. These committees deliberate about particular issues and recommend policy decisions to the Board. In addition to providing an opportunity for non-Board involvement, such committees shorten the Board of Directors' meeting time. Eighty-one percent of the respondents in this survey said that they believed that members of the cooperatives who are not on the Board of Directors should serve on cooperative committees. Strongest support for this came from younger, more educated members.

However, only 8 percent of the respondents said that they were currently serving on a committee, while 19 percent responded that they had served on a committee of their cooperative during their lifetime. More members served on the nominating committee than any other committee. Service on committees was related to the size of the member's farming

operating. While 34 percent of larger farmers (with gross sales of \$100,000 or more) had served on cooperative committee(s), only 5 percent of smaller farmers (gross sales under \$20,000) had done so.

Member Attitudes Toward Ownership and Control

If members feel that they are owners of the cooperative and are in a position to influence its policies, they are more likely to become actively involved and patronize it. In the survey, 83 percent of the members said that they feel that they are part-owners of their cooperative (Table 7). However, only two-thirds of the respondents indicated that they believed that cooperatives are controlled by farmer members. Older members were most apt to agree. An even lower 58 percent felt that their influence in the cooperative was adequate. Among older members, 70 percent felt that they had adequate influence in the cooperative.

Table 7. Cooperative Member Attitudes Toward Influence and Control, Texas, 1984.

Attitude Statement	Agree	Not Sure	Disagree
	-----Percent-----		
I feel I am part owner in my cooperative.	83	8	9
Co-ops are controlled by farmer members.	67	15	18
The amount of influence I have on my cooperative is adequate.	58	26	16

The Manager

Members sometimes feel that their cooperative is really run by the manager rather than by the Board of Directors. This feeling was reflected in the respondents' comments regarding the need for a "better manager"; a call for "less power in the general manager"; and the comment "a strong manager can have too much influence." Despite such negative comments, Texas cooperative managers fared very well in the eyes of their members, with 23 percent of the members rating their manager's performance as outstanding; 39 percent, very good; 31 percent, okay; 5 percent, poor; and only 2 percent, very poor. Attitudes toward the manager were not influenced by age, education or size of farming operation of the member.

Strengthening Cooperatives' Financial Position

At the beginning of 1984, many Texas agricultural cooperatives were in a weak financial position. The respondents recognized this reality, with only 17 percent indicating that cooperatives have adequate equity capital and the majority (53%) indicating that they do not. The fact that 30 percent of the respondents were not sure of their cooperative's financial position reflects a need for improved communication on financial matters.

Sources of Equity Capital

While the majority of members recognize the poor financial position of cooperatives, they are not inclined to do anything about it (Table 8). Only 36 percent of the respondents believed that current members have an obligation to finance their cooperative. An even lower 25 percent would write out a check to help their cooperative survive.

Table 8. Attitudes of Members Toward Cooperative Finance, Texas, 1984.

Attitude Statement	Agree	Not Sure	Disagree
		Percent	
All co-ops have adequate equity capital.	17	30	53
Current farmer members have an obligation to finance their cooperative.	36	22	42
If my co-op needed more equity capital, I would write out a check to help it survive	25	40	35
Marketing cooperatives should maximize earnings to build up sufficient equity capital.	54	20	26

What then would the respondents support to strengthen their cooperative's financial position? Most of the respondents would either delay stock redemption or merge their cooperative with another in the area (Table 9).

Table 9. Actions Favored by Members for Strengthening Cooperative Financial Position, Texas, 1984.

Action	Percent of Members Favoring
Delay stock redemption	34
Merge with another cooperative	29
Increase my patronage	19
Invest more money in cooperative	13
Other	5
Total	100

Note that only 19 percent would do more business with the cooperative and 13 percent invest more money.

The respondents were widely split on which of the above options for improving the cooperative would do the most good (Table 10).

It is interesting to note that more respondents recognized the importance of increased patronage (26%) than had indicated that they were willing to increase patronage (19%). Also, while there are those who suggest that another round of producer equity capital might be needed in the cooperative system, there is little support for this concept. The "other" responses strongly emphasized the need for improved managements. Statements such as "99 percent of co-op problems are due to poor managers", were typical of

these other responses. In other words, if the cooperative is in poor financial shape, blame the manager—not the Board or the members!

Table 10. Extent to Which Members Felt that Various Actions Would be Effective in Strengthening Cooperative's Financial Position.

Action	Percent of Members' Indications Action Would Be Most Effective
Delay stock redemption	24
Merge with another cooperative	20
Increase my patronage	26
Invest more money in cooperative	10
Other	20
Total	100

Permanent Capital

There is a trend toward permanent capital accumulation by Texas cooperatives. Earlier research showed that 57 percent of the cooperatives had some part of the equity capital unallocated. The most common source of permanent capital is savings on non-member business, on which the cooperative pays a corporate income tax and retains as unallocated reserves. The cooperative members responding to this survey approved this practice by 64 percent. The most common reason given for approval relates to the strengthening of the cooperative's financial position (Table 11).

Table 11. Reasons Members Approve of Permanent Capital Plans, Texas, 1984.

Reason	Percent
Strengthens the co-op's financial condition.	34
The co-op then is owned by the cooperative.	21
Available to members in the future.	20
There is no need to treat non-members and members the same.	18
There is no need then to redeem the unallocated reserves.	7
Total	100

It is interesting to note that 21 percent apparently viewed the cooperative being owned by the cooperative as a *favorable* aspect of permanent capital! What happens, then, to member ownership of a cooperative as an increasing proportion of the capital becomes permanent? The respondents disapproved of the practice of permanent capital, either because of their concern about control or because they wanted the money allocated to the members (Table 12).

Table 12. Reasons Members Disapproved of Permanent Capital Plans, Texas, 1984.

Reason	Percent
The co-op was organized by members for members.	42
Wanted the earnings allocated to members on a patronage basis	33
The co-op then becomes owned by no one.	17
The co-op is not accountable to members with a permanent capital fund.	8
Total	100

The retirement of equity capital is always of concern, especially to older members. Two-thirds of the members indicated that co-ops should redeem or retire equity capital on a specified schedule (Table 13). This clear majority response is ironic in view of earlier findings that delaying stock redemption was favored by many respondents as a means of dealing with financial problems. Only 39 percent agreed that co-ops should redeem all equity stock when the member reaches 68 years of age, whether he continues to farm or not. This too is ironic in light of previously expressed concern about cooperative ownership and control. Equity retirement will continue to be a major cooperative issue.

Table 13. Member Attitudes Toward Redemption of Stock, Texas, 1984.

Attitude	Agree	Not Sure	Disagree
		Percent	
Co-ops should redeem or retire equity capital on a specified schedule.	66	22	12
Co-ops should redeem all equity stock when the member reaches 68 years of age, whether he continues to farm or not.	39	19	42

Membership and Patronage

Is farmer disunity a cause of today's farm problems? Many farmers believe that it is, with 76 percent of the farmers indicating that too many farmers wanting to go their individual and separate ways was a basic cause of agricultural problems (Table 14). An even larger percentage (93%) feel that farmers must stick together to get things done. That response reflects a strong belief in cooperative principles. In fact, 79 percent of those surveyed indicated that they joined the cooperative because they believed in the principles of cooperation.

Philosophically, farmers indicate a strong belief in cooperatives as a solution to the farm problem, but that feeling may be only skin deep for many producers when it comes to purchasing their supplies or marketing their products. While nearly 60 percent of the farmers indicated that belonging to a cooperative was an important part of their identity, 33 percent disagreed.

Table 14. Member Attitudes Toward Cooperatives as a Solution to Farmers' Problems, Texas, 1984.

Attitude	Agree	Not Sure	Disagree
	-----Percent-----		
A basic cause of agricultural problems today is that too many farmers want to go their separate and individual ways without regard for other farmers.	76	11	13
Farmers must stick together in order to get things done.	93	4	3
I joined the co-op because I believe in the principles of cooperation.	79	7	14
Belonging to a co-op is an important part of my identity as a farmer.	59	8	33
I joined the co-ops because of market considerations.	70	8	22
An agricultural co-op is just another place to do business.	38	13	49
It is only through agricultural co-ops that farmers can get a fair deal in the marketplace.	35	22	43
I joined the co-op because I had no market or purchasing alternative.	21	7	72
Farmers have an obligation to patronize their co-ops.	53	12	35
Local grain co-ops should turn all members' grain over to regionals to sell.	5	37	58
Farmers can make marketing co-ops more effective by entering into marketing agreements with them.	62	25	13

While 70 percent of the producers indicated that they joined the cooperative for market considerations, only 49 percent of the farmers disagreed with the statement, "an agricultural cooperative is just another place to do business." Most producers recognize that they still have many favorable alternative places to market their products. Only 35 percent of the respondents agreed that it is only through agricultural cooperatives that farmers can get a fair deal in the marketplace. Seventy-two percent disagreed with the statement, "I joined the cooperative because I had no market or purchasing alternatives."

How much commitment is there to the cooperative system? A bare majority of the farmers (53%) felt that they have an obligation to patronize their cooperative. The respondents, however, assign an even lower level of obligation to locals patronizing their regional. Only 5 percent of the respondents felt that local grain cooperatives should turn over all their grain to regional cooperatives, and only 19 percent felt that the local should buy supplies from the regional even if it is not the cheapest. Ironically, they still recognize that marketing cooperatives can be made more effective if producers have marketing agreements with them. Does not the same logic apply to the locals and the regionals? Maybe this means that farmers really do not

want their cooperatives to be more effective! At least, they do not appear to be willing to pay the price!

Larger Farmer-Member Issue

There is increasing evidence that the very large farmers are dropping out of cooperative membership. If that is the case, the respondents do not realize it. Only 8 percent felt that large farmers are dropping out of their local cooperatives—a majority said they were not (Table 15). Those who recognized that large farmers are dropping out of their cooperatives, indicated that the reason was mostly one of price paid for supplies or received for products. Most farmers did not know whether their cooperative has a program to win back and keep large farmers.

Table 15. Member Attitudes Toward Large Farm Operation Issue, Texas, 1984.

Attitude	Yes	No	Don't Know
	-----Percent-----		
Are large farmers dropping out of your local co-op?	8	54	38
Does your co-op have a program to win back and keep large farmers?	9	30	61

When asked, "what do you think it will take to win back and keep big farmer members of agricultural cooperatives?", the majority of the respondents said "good service and competitive prices." An almost equal number said "volume and direct purchase discounts." Other suggestions for keeping the large farmer members included higher prices for larger volume sales; good, honest management; fair treatment; more efficient cooperatives; profitability; quality products; forward contracting services; better marketing; and faster revolving of equity stock. One respondent said, "competitive prices and technical assistance comparable to what private dealers offer will keep the big farmers as members." Another respondent cited, "cooperatives that will return more income through services or marketing than the farmer can gain independently," as a means of retaining big farmers as cooperative members.

Benefits

Cooperative members were asked to rank the benefits they receive from their cooperative. The most important benefit was that of service, followed by price (Table 16). This is consistent with the principle that cooperatives price their products on a competitive basis—they do not cut price. Instead, lower prices tend to be received in the form of patronage refunds, which was ranked third in the order of benefits.

Interestingly, technical assistance was viewed as a more critical benefit than credit as a cooperative benefit.

Two out of three Texas cooperative members said that "cooperatives are necessary for family farm survival." Eighteen percent were not sure and only 15 percent disagreed with this statement.

Table 16. Rank Order of the Benefits Members Receive from Their Cooperatives, Texas, 1984.

Rank	Benefit
1	Service
2	Price
3	Patronage refund
4	Technical assistance to the farm operator
5	Credit
6	Redemption of older equity stock

Service

One reason that service was ranked higher than price as a cooperative benefit is reflected in the statement, "marketing cooperatives are beneficial even though they return no patronage refund because of honest weight, grade, and assurance of payments." Fifty-six percent of the respondents agreed with this statement, only 13 percent disagreed, and 31 percent were not sure (Table 17).

Table 17. Member Attitude Regarding Benefits Obtained from Cooperatives, Texas, 1984.

Attitude	Agree	Not Sure	Disagree
	-----Percent -----		
Marketing co-ops are beneficial even though they return no patronage refund because of honest weight, grade and assurance of payment.	56	31	13
My farm supply co-op has higher quality supplies.	33	42	25
Co-ops should maximize earnings and distribute them as patronage refund.	62	13	25

Interestingly, while service was ranked at the top of the list, only 33 percent of the respondents felt that their cooperatives offered higher quality supplies. Therefore, in the eyes of their patrons, cooperatives cannot make a strong claim that they are handlers of higher quality supplies.

While service was viewed as the key benefit of agricultural cooperatives, 57 percent of current members indicated that their cooperatives had not provided new services in the last five years. Only 43 percent said that theirs had provided new services within this same time. Those who said yes identified the following 10 most often mentioned new services rendered by their cooperatives in the order of frequency:

1. Fuel (diesel and gasoline) and key pumps
2. Fertilizer and liquid fertilizer
3. Custom fertilizer and herbicide application
4. Forward and other marketing alternatives

5. TELCOT
6. Better large tire service
7. More complete inventories
8. Chemicals
9. Module hauling
10. Market price information

When asked what additional services members would like to get from their cooperatives, the survey showed the following top 10 results listed in order of frequency:

1. Better marketing services, including computerized and pool marketing
2. Larger inventories
3. Increased technical assistance, including farm management consulting, insect control, fertilizer recommendation, etc.
4. Increased market information
5. Forward contracting opportunities
6. Sale and repair of tires
7. Better seed and seed cleaning
8. Fuel, especially diesel with key pumps
9. Discounted prices
10. Equipment parts

The services that Texas cooperative members would like to get from regional cooperatives primarily center around improved marketing services and systems. This was followed by more market information, more patronage refund, higher quality supplies, better management for the local cooperative, and providing a newsletter.

Today's farmers and ranchers have several possible sources of technical assistance to which they can turn. In the survey, we asked cooperative members to tell us which source of technical assistance they favored the most. The results were as follows:

1. Agricultural Extension Service
2. Local cooperative
3. Private consultants
4. Regional cooperatives
5. Proprietary supplier

Others mentioned included accountant, other farmers, and banker.

This ranking was supported by the response to the statement, "cooperatives provide more and better information for farming decisions than private corporations." Forty-two percent agreed with this statement while 31 percent disagreed, and 27 percent said they were not sure. Fifty-eight percent

of Texas cooperative members said that when a farmer member has management problems, his local cooperative should provide technical assistance. Forty-two percent answered no to this question.

While many farmers do not view legislation services as a function of the cooperative, when asked in the survey our respondents were about equally divided as to whether or not the cooperative should become more politically active.

Credit

Three out of four members in Texas favored allowing their cooperatives to give credit to members. Younger members viewed credit more favorably than older members. However, 95 percent of the members favored charging interest on overdue accounts. In years past, the cooperative staff had collected past due accounts. Now, sixty percent of members favor employing professionals to collect past due accounts. Cooperative members support very strong procedures for collecting delinquent accounts. Suggestions included: 1) "credit check before credit;" and 2) "30 day credit then add percent interest to overdue accounts." The general attitude is that the farmer should not be a free credit rider with the cooperative. Instead, they should borrow the money from the Federal Land Bank or the PCA and not use the cooperative as a credit source. Some of the recommendations included "30 day account only and withhold from stock and patronage dividends", "give them 90 days then publicize the delinquency and get rid of them", "remind, cut-off", "turn over to lawyer", "cut-off credit", and "repossess equipment."

Examples of agricultural cooperatives serving as production credit lenders exist in Texas today. The survey shows that 79 percent of Texas cooperative members do not favor their cooperatives serving as production credit lenders. Twenty-one percent favored this idea.

Structure

This survey asked cooperative members about the size, location and operational uniqueness of agricultural cooperatives. Sixty-one percent of our respondents disagreed with the statement that cooperatives are getting too big (Table 18). Only 15 percent agreed. Texas cooperative members felt that the number of cooperatives serving their communities was about right, with 83 percent disagreeing that there are too many cooperatives in their communities. Fifty-five percent indicated that there was no need for more cooperatives in their communities. Only 17 percent indicated that there was a need for more cooperatives.

Cooperatives have traditionally been viewed as a unique form of business. In the survey, 79 percent of the cooperative members agreed that cooperatives have a responsibility to members different from other businesses. Two-thirds of the members, however, indicated that cooperatives are increasingly acting like any other business. Interestingly, a majority (56%) said that cooperatives should act like any other business.

Table 18. Member Attitudes Toward Cooperatives as a Business, Texas, 1984.

Attitude	Agree	Not Sure	Disagree
	-----Percent-----		
Co-ops are getting too big.	15	24	61
There are too many co-ops in my community.	6	11	83
There is need for more co-ops in my community.	17	28	55
Co-ops have a responsibility to members different from other businesses.	79	6	15
Co-ops are increasingly acting like any other business.	66	14	20
Co-ops should act like any other business.	56	10	24

Pricing and Competition

Most cooperatives charge everyone the same price per unit for farm supplies, while others offer a volume discount. When asked which of these pricing policies their cooperative follows, 62 percent of the members thought that their cooperative charged the same price per unit to everyone, 17 percent thought they charged a lower price per unit for large volume purchases, and 21 percent of the members did not know their cooperative's pricing policy (Table 19). Larger farmer members were more aware of their cooperative's pricing policy. A higher percentage of these thought their cooperative charged the same price per unit to everyone.

Table 19. Current Pricing Policy of Supply Cooperatives as Perceived by Members, Texas, 1984.

Volume Discount Policy	All Members	Small Farm Members	Large Farm Members
	-----Percent-----		
Same price per unit to everyone.	62	51	71
Lower price per unit for large volume purchases.	17	17	18
Don't know co-op's pricing policy.	21	32	11
Total	100	100	100

Fifty-three percent of the members said that they favor a lower price per unit for larger volume purchases (Table 20). Larger farmers were more supportive of this policy.

Another trend is for the cooperative to charge a lower price if the member accepts a direct shipment from the regional. Seventeen percent of the members said that their cooperatives had a policy of offering direct shipment to producers at a lower price (Table 21). Twenty-nine percent indicated there were no direct shipment discounts offered. However, 55 percent of the members said that they did not know what the pricing policy

was on direct shipments by their cooperatives. Larger farmer members were more aware of their cooperatives' direct shipment pricing policy. The average discount given on direct shipments was 7.39 percent. Seventy percent of the members said that they favored a lower price per unit for accepting direct shipments from the regional. This was nearly equally supported by large and small farmer members.

Table 20. Pricing Policy Favored by Cooperative Members, Texas, 1984.

Policy	All Members	Small Farm Members	Large Farm Members
	-----Percent-----		
Lower price per unit for larger volume purchases.	53	43	57
Same price per unit.	47	57	43
Total	100	100	100
Lower price per unit for accepting direct shipment from regional.	76	72	73
Same price per unit.	24	28	27
Total	100	100	100

Table 21. Member Knowledge of Their Cooperatives, Texas, 1984.

Direct Shipment Pricing Policies	All Members	Small Farm Members	Large Farm Members
	-----Percent-----		
Lower price for accepting direct shipments from regional.	16	5	20
No direct shipment price discount.	29	18	42
Don't know direct shipment pricing policy.	55	77	38
Total	100	100	100

Seventy-eight percent of the members said that they did not know the trend of direct shipments to members from regionals in the last five years. Of those that thought they knew, 7 percent said that the number of direct shipments had increased, 3 percent said it had decreased, and 12 percent said it had stayed about the same.

Twenty-eight percent of the Texas cooperative members surveyed said that they had been approached by proprietary suppliers to accept direct shipments of inputs at discounted prices (Table 22). In comparison, 48 percent of the larger farmer members had been approached, and only 13 percent of the small farmer members had been approached.

The respondents suggested ways for their cooperatives to meet the proprietary direct shipment competition. Forty percent of the respondents recommended a lower price on direct shipments from regionals, 36 percent recommended a volume discount, and 24 percent said not to worry about it.

Table 22. Cooperative Members Approached by Proprietary Suppliers with Volume Discount Prices, Texas, 1984.

	All Members	Small Farm Members	Large Farm Members
	-----Percent-----		
Approached	28	13	48
Not Approached	72	37	52

Table 23. Suggestions by Members for Cooperatives to Meet Proprietary Direct Shipment Competition, Texas, 1984.

Strategy	Percent
Lower prices on direct shipments from regionals	40
Provide volume discounts.	36
Don't worry about it. (Do nothing)	24
Total	100

Two out of three Texas cooperative members were not sure as to whether or not cooperatives were winning the cooperative-corporate battle. Those who had a view were split between whether the cooperatives were winning or losing that battle. There was far more agreement that competition among cooperatives is good for farmer members. Two out of three members supported the idea of competition among cooperatives. Eighteen percent disagreed. Most farmers want to continue doing their market activities individually and in their own way.

Table 24. Member Opinions of Cooperative Competition, Texas, 1984.

Opinions	Agree	Not Sure	Disagreed
	-----Percent-----		
Cooperatives are winning the cooperative-corporate battle.	17	68	18
Competition among cooperatives is good for farmer-members.	66	16	18

Conclusions

While most members of Texas cooperatives recognize the importance of farmers working together through cooperatives, few are willing to pay the price required to make the cooperatives truly effective. They recognize the value of commitment of their patronage to the success of their cooperatives, but are unwilling to commit themselves. They believe the members should be in a position of control over the activities of their cooperatives, but are unwilling to assume the obligation of financing them on a current basis.

Cooperative members view neither themselves nor their local cooperatives as being part of a system. This is particularly the case at the regional level, where only 5 percent of the respondents felt that a local grain cooperative should turn over all of its grain to the regional, and only 19 percent felt that a local should buy all of its supplies from the regional. Stated differently, members view their cooperatives only as *an* alternative, *not the alternative*.

Cooperative members are not well informed concerning the activities of their cooperatives. A majority of the members do not know their cooperatives' policies toward large farmers. Nearly 40 percent do not know if large farmers are dropping out of their cooperatives. Over 40 percent are not sure whether their cooperatives offer higher quality supplies. They do not see the need for cooperative consolidations and mergers.

In an increasingly complex agricultural setting, members look to their cooperatives for service. This ranked first in the order of cooperative benefits desired. Services provided were generally in terms of products. Services demanded in the future were generally in terms of marketing systems and management aids such as technical assistance.

Implications

Communication and Education

Cooperative communication and education programs are designed to inform members of the cooperative's organization, policies, operations and strategies critical to success. This study points out the need for more communication and education by cooperatives. This need stems from three sources: 1) members are not asking the relevant questions; 2) cooperatives are not communicating with members sufficiently; and 3) member education is absent in two out of three cooperatives. The average cooperative member is capable of understanding facts about the cooperative when these are furnished. Unfortunately, these facts are not communicated frequently enough.

Large Farmer Issue

Larger farmers are leaving cooperatives because of the attraction to integrate (have their own gin or elevator) and their attraction to private suppliers (including manufacturers). The increasing costs of input and marketing facilities may affect the rate at which larger producers will integrate in the future.

While some large farmers organize separate cooperatives, most operate in the non-cooperative sector upon dropping out of their cooperatives. To serve large and small farmers through the same cooperative requires the following:

1. Adoption of new technical services
2. Price discounts and marketing premiums
3. Market information

4. Improved marketing methodology
5. Integration
6. Access to credit

Cooperatives should not presume that only the large farmer business is in jeopardy. They may find increasing competition for the part-time farmer business in the future.

Pricing Policies

Cooperatives' pricing policies are the least understood aspects of the business. In addition, there is a wide gulf between what members want in pricing and what they are getting. The "same price per unit" principle prevails in most cooperatives. Most members support a differential pricing policy. Adoption of a differential pricing system designed to retain large scale farmer patronage cannot be an arbitrary decision. It must be based on complete cost accounts that reflect differences in volume, methods of handling, and other business activities that affect cost per unit. The cooperative goal in pricing should be to generate a uniform net margin per unit. This differs from the "same price per unit" strategy.

Services

The type and quality of services provided by cooperatives are critical to their success. While most cooperatives have adopted a number of new services, members are expecting more. The nature of future services, such as improved marketing and management assistance, will depend largely on the joint effort between the regional and the local. Locals with a loose working relationship with their regionals will have limited ability to provide these services.

The tendency to provide services free or at less than their full cost is jeopardizing cooperatives. Such practices set the going rate among cooperatives. A good set of cost accounts will aid in correcting this problem. Cost of service should be borne by the service recipient.

Competition

The view that competition among cooperative benefits members is one of the harshest findings in this study. While competition is viewed as the life blood of the business world, vigorous competition among cooperatives can be injurious to both cooperatives and members.

Too much competition breaks down the system. Competition among cooperatives has brought on excess capacity, resulting in increased costs, and essentially leading to bankruptcy. Competition among cooperatives can be especially devastating when more than one regional serves a particular region.

Permanent Capital Funds

The most common source of permanent capital is savings on non-member business, on which the cooperative pays a corporate income tax and retains as unallocated reserves. Unallocated reserves is a growing practice

among Texas cooperatives. While the majority of members support this practice, the reasons given for continuing the practice can be questioned. The danger lies in member loss of control. Also, there is danger in members desiring to liquidate the business when permanent capital funds constitute the bulk of the cooperative's equity. Under such circumstances there is doubt, under present I.R.S. rules, whether members can rightfully claim or divide unallocated reserves.

Permanent capital funds create several conflicts within cooperatives. It creates conflicts between member equity and cooperative equity. Who absorbs losses? Who gets gains? Who is the real owner? It also can create conflicts between the manager, the Board of Directors, and the membership. Permanent capital can also affect growth, future goals, and operations of the cooperative. It creates doubt as to member access to equity capital.

In all cooperatives, except where there is commitment and pooling, net margins should first be allocated to patronage and then divided between retained and cash refunds.

Credit

There are still differences of opinion among members as to the wisdom of cooperatives giving credit. The issue should not be whether the cooperative provides credit, but the type of credit and manner of managing it. Cooperative credit should be purely of a short-term nature. Charging interest on overdue accounts is accepted. Even more significant is members' willingness to employ professional agencies to collect past due accounts. This new philosophy could lead to real bitterness among members with delinquent accounts.

Some good rules in cooperative credit are:

1. Each cooperative must have a written credit policy;
2. The credit policy must be communicated to all members, preferably printed on the sales ticket;
3. Apply credit policy uniformly to all members;
4. Credit should be extended for 30 days only;
5. Charge a reasonable interest rate on past due accounts; and
6. Develop collection skills and procedures within the cooperative to minimize use of outside collectors.

Inactive Members

Many past patrons are carried on the membership of our cooperatives. In doing so, cooperatives are not only ignoring good business practice, but also IRS rulings.

Good cooperative practice calls for the Board of Directors to: 1) review member patronage each year; 2) notify members who have not patronized the cooperative in the last two years of fact, and of the intention to drop them from the membership list; 3) provide time for members to explain their non-

patronage; and 4) redeem the dropped member's common stock immediately.

By operating in this manner, cooperatives uphold the principle that members are both owners and patrons of the business.

Committees

Every cooperative has one or more committees.

Having members serve on cooperative committees, other than on the Board of Directors, deserves consideration because:

1. More members become active in policy formation. These committees are usually chaired by a Board member (except for the nominating committee) and their decisions are advisory to the Board of Directors.
2. With members outside the Board, committees can frequently be more thorough in their search for applicable facts than the Board.
3. Committees shorten the time the Board of Directors must spend in making decisions.

Agricultural cooperatives in the United States are a system, whether we operate them as such or not. Both efficiency and effectiveness can be achieved by operating them as a system. The result is higher producer income. In the future, regional cooperatives must demonstrate greater leadership in mergers and consolidations, risk management, domestic and international marketing, facilities design and selection, personnel selection and training, long range planning, financial analysis, and counseling of locals. With commitment at both the producer and local cooperative level, these actions will help systematize our cooperatives.

Cooperatives cannot realize their potential, and may not survive in tomorrow's agriculture, unless members treat their cooperatives as a system.

Mergers

Members are more willing to accept mergers of cooperatives than either the Board of Directors or the manager.

Yet, the Extension Service cooperative specialists, regional staff, and banks have been very slow, unconvincing, and unable to bring about mergers among cooperatives. Regional mergers are equally difficult to accomplish.

Leadership for local cooperative mergers rests with the regionals, even though they have been reluctant to accept this role. Regionals must know the locals' financial states. They must develop an early warning system. They must work with the credit institutions. Regionals cannot divest themselves of local cooperative affiliations as they are going bankrupt. Mergers, when approached correctly, can strengthen member patronage and the cooperative system.

Terms of Office for Directors

While most members favor limiting the number of years that a member can serve on the Board of Directors, only about one-third of our cooperatives have adopted this policy. Members fear too many directors leaving at one time. This can also be prevented by staggering the terms of its members.

Limiting the terms of office of directors can be made easier and more acceptable by training future Board members through an Associate Board system. It also brings younger members to the Board.

Regionals should also consider the Associate Board concept, but appear less willing to accept it.

Future Challenges

Farmers are entering an age of rapid technological changes. Embryo transplants, growth hormone and genetic engineering characterize this biotechnical era with implications for both animals and plants. The usefulness and survival of cooperatives will depend heavily on how they generate and adopt these new biotechnical services and their efficiency in making them available to members. Members, in turn, will become increasingly more dependent upon the cooperatives for the operations of their farms or ranches.

Cooperatives have traditionally depended upon government and university research for their many needs. However, future growth depends on cooperatives exploiting scientific breakthrough research. In order to do this, major regional cooperatives will need to engage in biotechnical and economic research.

Educational programs conducted by the Texas Agricultural Extension Service serve people of all ages regardless of socioeconomic level, race, color, sex, religion or national origin.

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